

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name North Dickinson County School District	County Dickinson
Fiscal Year End 6/30/2006	Opinion Date 8/16/2006	Date Audit Report Submitted to State 10/18/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

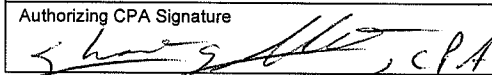
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	N/A	
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-774-4300	
Street Address Po Box 828		City Iron Mountain	State MI
Authorizing CPA Signature 		Printed Name Shane M. Ellison, CPA	Zip 49801
		License Number 263063	

NORTH DICKINSON COUNTY
SCHOOL DISTRICT

REPORT ON FINANCIAL STATEMENTS
(with additional information)

For the Year Ended June 30, 2006

NORTH DICKINSON COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	3
Management's Discussion and Analysis	5-13
Basic Financial Statements	
District – Wide Financial Statements	
Statement of Net Assets	14
Statement of Activities.....	15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Fiduciary Fund	
Statement of Fiduciary Net Assets.....	20
Notes to Financial Statements	21-34
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	36
Other Supplemental Information	
Combining Balance Sheet – Nonmajor Governmental Funds	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	39
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40



ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Education
North Dickinson County School District
Felch, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Dickinson County School District ("District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's Board of Education and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Dickinson County School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

Iron Mountain, Michigan
August 16, 2006

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2006

North Dickinson County School District's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position including its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2006.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
(other than MD&A expanded)

As mentioned, GASB 34 requires the presentation of two basic types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-Wide Financial Statements provide a perspective of the District as a whole. These financial statements use the full accrual basis of accounting similar to private sector companies. There are two District-Wide Financial Statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds: current financial resources (short-term available resources) with capital assets and long-term obligations, regardless of their current availability.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2006

Fund Financial Statements

The Fund Financial Statements are similar to financial presentations of years past, but the new focus is on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounts. Under this basis of accounting, revenues are recorded when received, except when they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Fund types include the General Fund, School Service Fund, Debt Retirement Fund, Capital Projects Funds and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants, and other intergovernmental revenues. The School Service Fund is comprised of Athletic Activities and Food Service. The Debt Retirement Fund is used to record the funding and payment of principal and interest on bonded debt. The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities. The Fiduciary Funds account for assets held by the District in a trustee capacity, or as an agent for various student groups and related activities.

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2006

Financial Analysis of the District as a Whole

Summary of Net Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Assets:		
Current assets	\$ 839,505	\$ 835,376
Net capital assets	<u>3,885,726</u>	<u>3,921,237</u>
Total assets	<u>4,725,231</u>	<u>4,756,613</u>
Liabilities:		
Current liabilities	615,583	643,514
Long term liabilities	<u>831,529</u>	<u>1,032,969</u>
Total liabilities	<u>1,447,112</u>	<u>1,676,483</u>
Net Assets:		
Invested in capital assets, net of related debt	2,859,427	2,691,110
Restricted for capital projects	37,955	21,557
Restricted for debt service	325,759	254,801
Unrestricted	<u>54,978</u>	<u>112,662</u>
Total net assets	<u>3,278,119</u>	<u>3,080,130</u>
Total Net Assets and Liabilities	<u>\$ 4,725,231</u>	<u>\$ 4,756,613</u>

The School District's net assets were \$3,278,119 at June 30, 2006, compared to \$3,080,130 at June 30, 2005. Total net assets can be separated into four categories: invested in capital assets, net of related debt, restricted assets for capital projects, restricted assets for debt service, and unrestricted assets.

Net capital assets are a combination of funds available for capital assets less accumulated depreciation and related debt. The original cost of capital assets was \$7,199,458 at June 30, 2006, and \$7,032,894 at June 30, 2005. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated use life of the assets. Total accumulated depreciation was \$3,313,732 at June 30, 2006, and \$3,111,657 at June 30, 2005. Total debt related to capital assets was \$1,026,299 at June 30, 2006, and \$1,230,127 at June 30, 2005.

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2006

Restricted assets for debt are funds, by their nature, restricted for use by laws or regulations by the State of Michigan. These funds totaled \$363,714 at June 30, 2006, compared to \$276,358 at June 30, 2005.

The remaining balance in unrestricted assets represents an excess balance of \$54,978 at June 30, 2006, and \$112,662 at June 30, 2005.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-Wide results of operations for the years ended June 30, 2006 and June 30, 2005 is as follows:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Program revenue		
Charges for services-local	\$ 106,290	\$ 116,084
Operating grants - federal state local	<u>217,354</u>	<u>255,549</u>
Total program revenue	<u>323,644</u>	<u>371,633</u>
General revenue		
Property taxes levied for general operations	1,243,554	1,243,603
Property taxes levied for debt service	278,545	168,512
State of Michigan aid, unrestricted	1,781,837	1,795,423
Other- federal, state and local	<u>68,405</u>	<u>49,476</u>
Total general revenue	<u>3,372,341</u>	<u>3,257,014</u>
Total revenue	<u>3,695,985</u>	<u>3,628,647</u>
Expenses		
Instruction	1,741,219	1,675,337
Support services	1,250,996	1,244,228
School service	238,112	272,518
Interest on long term debt	50,423	62,857
Depreciation (unallocated)	<u>217,246</u>	<u>223,898</u>
Total expenses	<u>3,497,996</u>	<u>3,478,838</u>
Increase in net assets	197,989	149,809
Net Assets July 1	<u>3,080,130</u>	<u>2,930,321</u>
Net Assets June 30	<u>\$ 3,278,119</u>	<u>\$ 3,080,130</u>

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2006

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The overall condition of the governmental funds has increased during June 30, 2006 and 2005. In the General Fund, the excess of revenues over expenditures totaled \$23,499 during fiscal year June 30, 2006 and \$22,623 during fiscal year June 30, 2005. The primary factor that contributed to this was the controlling of expenditures.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments are known. The most significant fund budgeted is the General Fund operations. The General Fund operating budget was amended three times during fiscal year 2006.

General Fund Operations

In the General Fund operations, the actual revenue for fiscal year June 30, 2006 was \$3,049,225. This is above the original budget of \$2,966,463 and below the final budget of \$3,055,801 - a variance of (0.22%). The actual expenditures of the general fund for fiscal year June 30, 2006 operations were \$3,023,850. This is above the original budget of \$2,911,616 and below the final budget of \$3,028,233 - a variance of 0.14%.

The variances between the actual revenues and the original and final revenue budgets are due primarily to the following.

- a reduction in medbill dollars from the previous fiscal year

The variances between the actual expenditures and the original and final expenditure budgets are due primarily to the following.

- various budget items not expended

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2006

GOVERNMENTAL FUND EXPENDITURES

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	Total Expenditures June 30, 2006	Percentage	Total Expenditures June 30, 2005	Percentage
General Fund	\$ 3,023,850	82.34%	\$ 2,960,197	81.60%
Other Funds	648,636	17.66%	667,573	18.40%
Total Expenditures	<u>\$ 3,672,486</u>	<u>100.00%</u>	<u>\$ 3,627,770</u>	<u>100.00%</u>

TOTAL REVENUES

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds.

	Total Revenue June 30, 2006	Percentage	Total Revenue June 30, 2005	Percentage
State of Michigan Aid unrestricted	\$ 1,781,837	48.21%	\$ 1,795,423	49.48%
Prop taxes general operation	1,243,554	33.65%	1,243,603	34.27%
Operating grants federal state local	217,354	5.88%	255,549	7.04%
Prop taxes debt retirement	278,545	7.54%	168,512	4.64%
Charges for services - local	106,290	2.88%	116,084	3.20%
Other federal, state and local	68,405	1.85%	49,476	1.36%
Total Revenues	<u>\$ 3,695,985</u>	<u>100.00%</u>	<u>\$ 3,628,647</u>	<u>100.00%</u>

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2006

Unrestricted State Aid

The District is predominately funded by State Aid based on a blended count formula that the State of Michigan utilizes. State revenues to the District have decreased as a result of decreased enrollment from the previous year. State aid membership was 395.71 for fiscal year June 30, 2006 and 403.71 for fiscal year June 30, 2005.

Property Taxes

The District levies 18.0 mills of property taxes on all Non-Homestead property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value.

The District levied 3.0 mills of property taxes on all classes of property located within the District for bonded debt retirement. The levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations.

The District levied 2.0 mills of property taxes on all classes of property located within the District for sinking fund purchases of the District.

Operating Grants Federal, State, and Local

The primary sources are the Federal Title One Program, the State funded At Risk Program, and the Special Education Obligation funds required under the Headlee Amendment, State of Michigan legislation. Both Title One and At Risk Programs assist students who are deemed to be at risk in the instruction process. For the 2005-2006 fiscal year, the District has utilized \$68,269 and \$49,370 for the Title One and State At Risk Programs. For fiscal year 2006 the State, under the Headlee amendment, is obligated to remit to the District \$77,991.

ENROLLMENT

The District's 2005-2006 fall enrollment totaled 381. This is a decrease of 9 students from the previous year. North Dickinson County School District is located in Michigan's Upper Peninsula. The area is currently experiencing an economic downturn. Some employers in the area have closed their doors, with others reducing their labor force. As a result of this, families have moved out of the area. In addition the county is experiencing a declining birth rate from previous year.

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2006

Enrollment changes over the last ten years can be illustrated as follows:

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>(Decrease) in Student Enrollment</u>
2006	381	(9)
2005	390	(18)
2004	408	0
2003	408	(2)
2002	410	(15)
2001	425	(28)
2000	453	(11)
1999	464	(18)
1998	482	(15)
1997	497	

Student enrollment is important to the financial health of the District because state funding is based on a per pupil formula.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2006, the District had \$7,199,458 invested in land and building, furniture and equipment, vehicles and buses compared to \$7,032,894 at June 30, 2005. Of this amount, \$3,313,732 and \$3,111,657 has been depreciated at June 30, 2006 and June 30, 2005 respectively. Net book value totaled \$3,885,726 at June 30, 2006, and \$3,921,237 at June 30, 2005. Due to budget constraints related to declining enrollment and the State of Michigan financial status, the ability to maintain these buildings is becoming increasingly difficult. The District maintains a \$1,000 threshold for capitalization of assets.

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2006

Outstanding Debt at Year End

As of June 30, 2006 the District had \$987,065 in bonds outstanding, compared to \$1,154,694 at June 30, 2005. The District collects bonded debt across the total property values. Therefore, total growth in valuation is an important element in determining the District's ability to retire bonded debt and/or to incur additional bond debt.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of the North Dickinson County School District. For additional detailed financial information contact:

Mike Roell
Business Manager
North Dickinson County School District
W6588 M-69
Felch, MI 49831
Office Telephone (906) 542-9281
Fax Telephone (906) 542-6950

NORTH DICKINSON COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities
ASSETS:	
Current assets:	
Cash and equivalents	\$ 100,766
Investments	396,257
Inventory	2,898
Due from other governments	<u>339,584</u>
Total current assets	<u>839,505</u>
Noncurrent assets:	
Capital assets	7,199,458
Accumulated depreciation	<u>(3,313,732)</u>
Total noncurrent assets	<u>3,885,726</u>
TOTAL ASSETS	<u>4,725,231</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	5,148
Accrued interest	13,041
Accrued expenses	98,460
Note payable - state	300,000
Notes payable	19,617
Vested sick pay	1,564
Bonds payable	<u>177,753</u>
Total current liabilities	<u>615,583</u>
Noncurrent liabilities:	
Notes payable	19,617
Vested sick pay	2,600
Bonds payable	<u>809,312</u>
Total noncurrent liabilities	<u>831,529</u>
TOTAL LIABILITIES	<u>1,447,112</u>
NET ASSETS:	
Invested in capital assets, net of related debt	2,859,427
Restricted for capital projects	37,955
Restricted for debt service	325,759
Unrestricted	<u>54,978</u>
TOTAL NET ASSETS	<u>\$ 3,278,119</u>

The accompanying notes to the financial statements are an integral part of this statement.





ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

NORTH DICKINSON COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

	Program Revenue				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT:					
Governmental Activities:					
Instruction	\$ 1,741,219	\$ -	\$ 157,395	\$ -	\$ (1,583,824)
Support	1,250,996	-	-	-	(1,250,996)
School service	238,112	106,290	59,959	-	(71,863)
Depreciation	217,246	-	-	-	(217,246)
Debt interest, fees and expenses	54,236	-	-	-	(54,236)
TOTAL PRIMARY GOVERNMENT	3,501,809	106,290	217,354	-	(3,178,165)
General revenues:					
Property taxes					\$ 1,522,099
State revenue sharing					1,785,650
Unrestricted investment earnings					24,228
Other					44,177
Total general revenues and transfers					3,376,154
Changes in net assets					197,989
Net assets, beginning of year					3,080,130
Net assets, end of year					\$ 3,278,119

The accompanying notes to the financial statements are an integral part of this statement.

NORTH DICKINSON COUNTY SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2006

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and equivalents	\$ 58,926	\$ -	\$ 41,840	\$ 100,766
Investments	70,498	325,759	-	396,257
Inventory	-	-	2,898	2,898
Due from other governments	338,226	-	1,358	339,584
TOTAL ASSETS	<u>\$ 467,650</u>	<u>\$ 325,759</u>	<u>\$ 46,096</u>	<u>\$ 839,505</u>
LIABILITIES:				
Accounts payable	\$ 5,148	\$ -	\$ -	\$ 5,148
Accrued expenses	98,460	-	-	98,460
Notes payable	300,000	-	-	300,000
TOTAL LIABILITIES	<u>403,608</u>	<u>-</u>	<u>-</u>	<u>403,608</u>
FUND BALANCE AND OTHER CREDITS:				
Fund balances:				
Reserved	-	325,759	37,955	363,714
Unreserved				
Undesignated	64,042	-	8,141	72,183
TOTAL FUND BALANCE AND OTHER CREDITS	<u>64,042</u>	<u>325,759</u>	<u>46,096</u>	<u>435,897</u>
TOTAL LIABILITIES, FUND BALANCE AND OTHER	<u>\$ 467,650</u>	<u>\$ 325,759</u>	<u>\$ 46,096</u>	<u>\$ 839,505</u>

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

NORTH DICKINSON COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

For the Year Ended June 30, 2006

Total fund balances for governmental funds	\$ 435,897
--	------------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and improvements	\$ 803,625
Equipment	1,096,500
Buildings and improvements	<u>5,299,333</u>

Total capital assets	7,199,458
Accumulated depreciation	<u>(3,313,732)</u>

Net capital assets	3,885,726
--------------------	-----------

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	\$ (13,041)
------------------------------------	-------------

Bonds payable	(987,065)
---------------	-----------

Compensated absences – vested	(4,164)
-------------------------------	---------

Notes payable	<u>(39,234)</u>
	<u>(1,043,504)</u>

Total net assets of governmental activities	<u>\$3,278,119</u>
---	--------------------



NORTH DICKINSON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Local sources	\$ 1,112,973	\$ 291,010	\$ 287,882	\$ 1,691,865
State sources	1,773,929	3,813	7,909	1,785,651
Federal sources	119,222	-	59,959	179,181
TOTAL REVENUES	3,006,124	294,823	355,750	3,656,697
EXPENDITURES:				
Instruction	1,734,450	-	-	1,734,450
Supporting services	1,242,259	-	165,472	1,407,731
Debt service	-	223,865	-	223,865
School service	-	-	263,112	263,112
TOTAL EXPENDITURES	2,976,709	223,865	428,584	3,629,158
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	29,415	70,958	(72,834)	27,539
OTHER FINANCING SOURCES (USES):				
Other sources	5,148	-	-	5,148
Payments received from other governmental units	37,953	-	-	37,953
Transfers in	-	-	92,667	92,667
Other uses	(41,933)	-	-	(41,933)
Payments to other governmental units	(5,208)	-	-	(5,208)
Transfers out	(92,667)	-	-	(92,667)
TOTAL OTHER FINANCING SOURCES (USES)	(96,707)	-	92,667	(4,040)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(67,292)	70,958	19,833	23,499
FUND BALANCE, JULY 1	131,334	254,801	26,263	412,398
FUND BALANCE, JUNE 30	\$ 64,042	\$ 325,759	\$ 46,096	\$ 435,897

The accompanying notes to the financial statements are an integral part of this statement.

NORTH DICKINSON COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Net changes in fund balances – total governmental funds \$ 23,499

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense \$(217,246) exceeded capital outlay \$199,164. (18,082)

Undepreciated balance of retired fixed assets. (17,429)

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal repayments:

Bonds	167,629	
Notes payable	<u>36,199</u>	203,828

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Early retirement obligation	\$ 1,667	
Compensated absences	2,506	
Accrued interest	<u>2,000</u>	<u>6,173</u>
Changes in net assets of governmental activities		<u>\$197,989</u>



NORTH DICKINSON COUNTY SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

June 30, 2006

	Agency Fund Student Activity
ASSETS:	
Cash and equivalents	\$ 29,760
TOTAL ASSETS	29,760
LIABILITIES:	
Due to student groups	29,760
TOTAL LIABILITIES	29,760
NET ASSETS:	\$ -

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the North Dickinson County School District ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Some of the significant changes in the statement include the following:

An Administration's Discussion and Analysis section providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the District's activities.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement the provisions of the Statement.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it has been determined that there are no component units of the North Dickinson County School District.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities except for fiduciary activities.

In the government-wide Statement of Net Assets, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.).

The District does not allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities,

C. Basic Financial Statements – Fund Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types in two broad fund categories as follows:

NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds - Governmental funds are used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities, except for those accounted for in fiduciary funds. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

General Fund - The General Fund is the primary operating fund of the District. It is used to account for all financial transactions of the District, except those required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses the Special Revenue Fund to account for the North Dickinson County School District's activity.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Funds - Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Fiduciary Funds - Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

Agency Fund - The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity (primarily student activities).

Account Groups - Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term obligations. The following are the District's account groups:

General Fixed Assets - This group of accounts was established to account for all general fixed assets of the District.

General Long-Term Obligations - This group of accounts has been established to account for unmatured general long-term obligations and certain other liabilities of the District not expected to be liquidated through the use of available expendable financial resources.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus. The governmental-wide statement uses the economic resources measurement focus.

Accrual

Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after the year end. A one year period is used for revenue recognition for all other governmental fund revenues. Those revenues prone to accrual are property taxes, federal aid, interest-revenue, and charges for services.

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

State Foundation Revenue - For the fiscal year ended June 30, 2006, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on the average of pupil membership counts taken in February and September of 2005.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.

E. Cash and Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and equivalent balances for individual funds are pooled unless maintained in segregated accounts.

F. Interfund Balances and Transfers

The current portion of lending/borrowing arrangements between funds are identified as "due to/from other funds". The non-current portion of outstanding balances between funds are reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

Transfers represent a flow of assets without equivalent flows of assets in return or a requirement for repayment.

G. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

The District has adopted a capitalization policy of \$1,000.

I. Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

J. Compensated Absences

Amounts representing accumulated vacation and personal leave expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the government fund that will pay it.

K. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized as revenue when levied to the extent they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Property Taxes (Continued)

The District, along with certain other governmental units, is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

Fund Mills

General Fund - Non-Homestead	18.0
Debt Retirement	3.0
Sinking Fund	2.0

L. Unemployment Insurance

The District reimburses the Michigan Employment Security Commission (MESC) for the actual amount of unemployment benefits disbursed by the MESC on behalf of the District. Billings received for amounts paid by the MESC through June 30 are accrued.

M. Fund Balance

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of net current assets does not constitute "available spendable resources". Designated fund balances represents amounts set aside by the governing body for specific purposes such as capital improvements.

N. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The District follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - all governmental fund types.
2. Public hearings are conducted to obtain taxpayer comments.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budgets (Continued)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP basis) - all governmental fund types.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

The budget for the year ended June 30, 2006 was adopted on June 13, 2005 and formally amended on December 12, 2005, March 13, 2006 and July 10, 2006.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

NOTE 2 - CASH AND INVESTMENTS

Cash and Equivalents

The District's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Savings accounts	\$ 74,113
Checking accounts	<u>26,653</u>
TOTAL	<u>\$100,766</u>



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and Equivalents (Continued)

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2006, the District had cash and equivalents which were uninsured and uncollateralized in the amount of \$766.

Investments

The District's investments, as reported in the Statement of Net Assets, consisted of the following:

Michigan Liquid Asset Fund (MILAF)	<u>\$396,257</u>
------------------------------------	------------------

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Investments are recorded at fair market value, which is based on quoted market prices.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments are with the Michigan Liquid Asset Fund (MILAF) which consists of different funds including mutual funds with a high degree of liquidity, thus the District's investments are not subject to interest rate risk.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

(Continued)

NOTE 3 - INTERFUND BALANCES AND TRANSFERS

There were no interfund receivables and payables for the year ended June 30, 2006.

Interfund transfers for the year ended June 30, 2006 are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Total nonmajor governmental	<u>\$92,667</u>	General	<u>\$92,667</u>

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2006 follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Land and improvements	\$ 789,362	\$ 14,263	\$ -	\$ 803,625
Buildings and improvements	5,161,593	170,340	(32,600)	5,299,333
Equipment	<u>1,081,939</u>	<u>14,561</u>	<u>-</u>	<u>1,096,500</u>
TOTALS	7,032,894	<u>\$ 199,164</u>	<u>\$ (32,600)</u>	7,199,458
Accumulated Depreciation	<u>(3,111,657)</u>	<u>\$ (217,246)</u>	<u>\$ 15,171</u>	<u>(3,313,732)</u>
Net Fixed Assets	<u>\$ 3,921,237</u>			<u>\$ 3,885,726</u>

Depreciation for the year ended June 30, 2006, amounted to \$217,246. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

(Continued)

NOTE 5 – LONG-TERM OBLIGATIONS

During the year ended June 30, 2006, the following changes occurred in long-term obligations:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amounts Due Within One Year
General Obligation:					
Bonds	\$ 1,154,694	\$ -	\$(167,629)	\$ 987,065	\$ 177,753
Notes Payable	75,433		(36,199)	39,234	19,617
Employee Benefits:					
Teachers Early Retirement	1,667	-	(1,667)	-	
Sick Pay	6,670	-	(2,506)	4,164	1,564
TOTALS	<u>\$ 1,238,464</u>	<u>\$ -</u>	<u>\$(208,001)</u>	<u>\$ 1,030,463</u>	<u>\$ 198,934</u>

NOTE 6 - BONDS AND NOTES PAYABLE

Long-term obligations at June 30, 2006 is comprised of the following amounts:

1. 1999 School Building Bonds due in annual installments of \$92,118 to \$225,015 through May 1, 2011 with interest at 4.75% to 5.0% \$955,000
2. 1998 Durant Bonds due in annual installments of \$3,813 to \$17,996 through May 15, 2013, with interest at 4.6% 32,065

The annual State of Michigan appropriation is the only revenue source for making the annual payments on the Durant Bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

3. Note payable for bus \$19,617 annually with interest at 4.05% 39,234
4. Vested accumulated sick pay 4,164
- TOTAL LONG-TERM OBLIGATIONS** \$1,030,463



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

NOTE 6 - BONDS AND NOTES PAYABLE (Continued)

The annual requirements to amortize long-term obligations outstanding as of June 30, 2006 are as follows:

Year Ended June 30	Bond Issues		Notes Payable		Sick Leave	Total
	Principal	Interest	Principal	Interest		
2007	\$ 177,753	\$ 48,276	\$ 19,617	\$ 1,191	\$ 1,564	\$ 248,401
2008	187,884	39,745	19,617	397	2,600	250,243
2009	198,022	30,541	-	-	-	228,563
2010	203,166	20,647	-	-	-	223,813
2011	203,317	10,497	-	-	-	213,814
2012-2016	16,923	4,886	-	-	-	21,809
TOTALS	<u>987,065</u>	<u>154,592</u>	<u>39,234</u>	<u>1,588</u>	<u>\$ 4,164</u>	<u>\$ 1,186,643</u>

Interest expense for the year ended June 30, 2006 was \$58,597.

NOTE 7 - FUND BALANCES

Portions of fund balances are reserved or designated and not available for general purposes other than fund usage as follows:

	<u>Reserved Designated</u>
Capital Project	\$ 37,955
Debt Service	<u>325,759</u>
TOTAL	<u>\$363,714</u>

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer, defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

The pension benefit rate totals 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2006, 2005, and 2004 were \$268,040, \$238,714, and \$214,855.

Post Employment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participated in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 10 - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

(Continued)

NOTE 11 – SIGNIFICANT ESTIMATES

Included in footnote 8 is a summary of the employee retirement plan provisions and actuarial assumptions. The actuarial assumptions are very critical to the computation of actuarial determined liabilities of the plan. If the assumptions differ from actual results annual contributions to the defined benefit plan can substantially change.

NOTE 12 – SINKING FUND COMPLIANCE

The Capital Projects Fund includes activities funded with sinking fund tax dollars issued after May 1, 1994. For this capital project, the District has complied with the applicable provisions of §1351a of the Revised School Code.

NOTE 13 – NOTES PAYABLE

State aid anticipation note due to the First National Bank of Crystal Falls in the amount of \$300,000. The note is secured by State Aid payments and is subject to an interest rate of 3.75% and matures May 3, 2007.

During the year ended June 30, 2006, the following changes occurred in notes payable:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2006</u>
State Aid Anticipation Note	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$(300,000)</u>	<u>\$300,000</u>

NOTE 14 – COMPENSATED ABSENCES

At June 30, 2006 accumulated non-vested sick time amounted to \$346,479. Non-vested, unused sick time does not vest and so is not included in the general long-term debt account group.



REQUIRED SUPPLEMENTAL INFORMATION

NORTH DICKINSON COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis) (Note 1)</u>
	<u>Original</u>	<u>Final</u>	
REVENUES:			
Local sources	\$ 1,122,117	\$ 1,112,253	\$ 1,112,973
State sources	1,668,639	1,773,934	1,773,929
Federal sources	129,707	119,222	119,222
TOTAL REVENUES	<u>2,920,463</u>	<u>3,005,409</u>	<u>3,006,124</u>
EXPENDITURES:			
Instruction	1,685,649	1,734,150	1,734,450
Supporting services	1,178,775	1,246,941	1,242,259
TOTAL EXPENDITURES	<u>2,864,424</u>	<u>2,981,091</u>	<u>2,976,709</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>56,039</u>	<u>24,318</u>	<u>29,415</u>
OTHER FINANCING SOURCES (USES):			
Other sources	6,000	5,148	5,148
Payments received from other governmental units	40,000	45,244	37,953
Other uses	(41,984)	(41,934)	(41,933)
Payments to other governmental units	(5,208)	(5,208)	(5,208)
Transfers out	(91,376)	(86,402)	(92,667)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(92,568)</u>	<u>(83,152)</u>	<u>(96,707)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(36,529)</u>	<u>(58,834)</u>	<u>(67,292)</u>
FUND BALANCE, JULY 1	<u>131,334</u>	<u>131,334</u>	<u>131,334</u>
FUND BALANCE, JUNE 30	<u>\$ 94,805</u>	<u>\$ 72,500</u>	<u>\$ 64,042</u>

The accompanying notes to the financial statements are an integral part of this statement.



OTHER SUPPLEMENTAL INFORMATION

NORTH DICKINSON COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

June 30, 2006

	Food Service	Athletics	Sinking Fund #255211	Total Nonmajor Governmental Funds
ASSETS:				
Cash and equivalents	\$ -	\$ 3,885	\$ 37,955	\$ 41,840
Inventory	2,898	-	-	2,898
Due from other governments	1,358	-	-	1,358
TOTAL ASSETS	<u>\$ 4,256</u>	<u>\$ 3,885</u>	<u>\$ 37,955</u>	<u>\$ 46,096</u>
LIABILITIES:				
Accrued expenses	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE AND OTHER CREDITS:				
Fund balances:				
Reserved	-	-	37,955	37,955
Unreserved-Undesignated	4,256	3,885	-	8,141
TOTAL FUND BALANCE AND OTHER CREDITS	<u>4,256</u>	<u>3,885</u>	<u>37,955</u>	<u>46,096</u>
TOTAL LIABILITIES, FUND BALANCE AND OTHER	<u>\$ 4,256</u>	<u>\$ 3,885</u>	<u>\$ 37,955</u>	<u>\$ 46,096</u>

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

NORTH DICKINSON COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	Food Service	Athletics	Sinking Fund #255211	Total Nonmajor Governmental Funds
REVENUES:				
Local sources	\$68,814	\$37,198	\$181,870	\$ 287,882
State sources	7,909	-	-	7,909
Federal sources	59,959	-	-	59,959
TOTAL REVENUES	<u>136,682</u>	<u>37,198</u>	<u>181,870</u>	<u>355,750</u>
EXPENDITURES:				
Supporting services	-	-	165,472	165,472
School service	138,942	124,170	-	263,112
TOTAL EXPENDITURES	<u>138,942</u>	<u>124,170</u>	<u>165,472</u>	<u>428,584</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,260)</u>	<u>(86,972)</u>	<u>16,398</u>	<u>(72,834)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	88,119	-	88,119
Transfers out	4,548	-	-	4,548
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,548</u>	<u>88,119</u>	<u>-</u>	<u>92,667</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,288	1,147	16,398	19,833
FUND BALANCE, JULY 1	<u>1,968</u>	<u>2,738</u>	<u>21,557</u>	<u>26,263</u>
FUND BALANCE, JUNE 30	<u>\$ 4,256</u>	<u>\$ 3,885</u>	<u>\$ 37,955</u>	<u>\$ 46,096</u>

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
North Dickinson County School District
Felch, Michigan

We have audited the financial statements of North Dickinson County School District as of and for the year ended June 30, 2006, and have issued our report thereon dated August 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Dickinson County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Dickinson County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co., PLLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

Iron Mountain, Michigan
August 16, 2006

